

## **Attachment 2 (e)**

2004-06-10\_hull\_uw's\_response

From: Williams, Colin  
Sent: 10 June 2004 15:51  
To: 'Jim\_Montano@ars.aon.com'; Williams, Colin  
Cc: Williams, Colin; Marjorie\_Goodall@ars.aon.com;  
Mike\_Roberts@JLTGROUP.com  
Subject: RE: Horizon Offshore Contractors/GULF HORIZON - alleged damage  
to power cables in New York - 27 Feb 03 Our Ref : OR03/304718/FO

We shall be interested to see whether h+m u/w's accept that the damage caused by the Gulf Horizon's anchors should fall on their policy.

Regards.  
Colin Williams

DDI : 0207 650 6497  
Fax : 0207 377 2912

-----Original Message-----

From: Jim\_Montano@ars.aon.com [mailto:Jim\_Montano@ars.aon.com]  
Sent: 10 June 2004 15:43  
To: Williams, Colin  
Cc: Williams, Colin; Marjorie\_Goodall@ars.aon.com; Mike\_Roberts@JLTGROUP.com  
Subject: RE: Horizon Offshore Contractors/GULF HORIZON - alleged damage to power  
cables in New York - 27 Feb 03 Our Ref : OR03/304718/FO

Mike,  
To answer your question, the circumstances of the event led the Assured to believe the first line of coverage was with its entry with you because the vessel was conducting specialist operations per Rule 17b and that the vessel had not actually collided with anything. The claims arising from the event have, indeed, been referred to H&M underwriters and we recently sent them a package of correspondence, pleadings, reports and other documents so that they can become familiar with the claims. In addition, we have suggested to the Assured that because of the complexity of the claims and the various insurance policies that may or may not apply that a meeting of all interested parties be held in the near future. We'll advise further on this.  
Regards,  
Jim

"Williams, Colin"

<colin.williams@sims1.com>

"Williams, Colin"

06/09/2004 04:56  
<colin.williams@sims1.com>,  
AM  
Mike\_Roberts@JLTGROUP.com  
Contractors/GULF HORIZON -

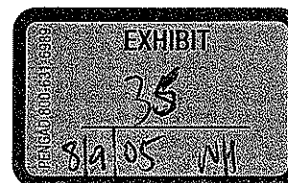
To: "'Jim\_Montano@ars.aon.com'"

<Jim\_Montano@ars.aon.com>,  
<colin.williams@sims1.com>

cc: "Williams, Colin"

Marjorie\_Goodall@ars.aon.com,

Subject: RE: Horizon Offshore  
alleged damage to



2004-06-10\_hull\_uw's\_response

power cables in New York

- 27 Feb 03 Our Ref :

OR03/304718/FO

Dear Jim,

Many thanks for your recent response.

However, when I referred to the "first claim", I was not referring to the Mr Sonny case. I was referring to the claim for damage to the power cables by the Gulf Horizon on 27th February 2003 and was differentiating it from the subsequent claims against the Mr Sonny relatng to the same contract but which appear to be of a non-P&I nature.

My question was the damage to the power cable alleged caused by the anchors of the Gulf Horizon on 27th February 2003 would seem to be an FFO matter. You confirm that Member's H+M policy covers colision and FFO liabilities. Acc, please advise why this claim has been directed against us rather than against H+M u/w's.

Regards.

Colin Williams

DDI : 0207 650 6497

Fax : 0207 377 2912

-----Original Message-----

From: Jim\_Montano@ars.aon.com [mailto:Jim\_Montano@ars.aon.com]

Sent: 07 June 2004 21:16

To: Williams, Colin

Cc: Williams, Colin; Marjorie\_Goodall@ars.aon.com; Mike\_Roberts@JLTGROUP.com

Subject: RE: Horizon Offshore Contractors/GULF HORIZON - alleged damage to power cables in New York - 27 Feb 03 Our Ref : OR03/304718/FO

Colin,

Sorry for belated reply, but, as you know, the account has been active lately. Your reference to the "first claim" I take to mean the alleged damage to the LIPA power cable in November 2003. That claim arises from damage to the cable allegedly by the M/V MR SONNY which is owned and operated by Cal Dive International. Nothing associated with the D/B GULF HORIZON is alleged to have caused the damage to the cable. Thus, the collision liability cover (including FFO) in the H&M policy is not involved as that cover is limited to damage caused by the insured vessel. Regards, Jim

"Williams, Colin"

<colin.williams@

To:

"Jim\_Montano@ars.aon.com"

simsl.com>

<Jim\_Montano@ars.aon.com> ,

"Williams, Colin"

<colin.williams@simsl.com>

Page 2

A 0082

2004-06-10\_hull\_uw's\_response

05/18/2004 05:00  
<colin.williams@simsl.com>,  
AM  
Marjorie\_Goodall@ars.aon.com  
Contractors/GULF HORIZON -  
New York - 27

cc: "Williams, Colin"  
Mike\_Roberts@JLTGROUP.com,  
Subject: RE: Horizon Offshore  
alleged damage to power cables in  
Feb 03 Our Ref : OR03/304718/FO

Jim,

I note that Members confirm that their H+M policy covers collision and FFO liabilities. As such, please advise why H+M u/w's are not involved in the first claim, i.e. the claim for damage to the power cables b the Gulf Horizon. This would seem to be an FFO matter and, if it is covered by the H+M policy, it does not fall within P&I cover.

Regards.  
Colin Williams

DDI : 0207 650 6497  
Fax : 0207 377 2912

-----Original Message-----

From: Jim\_Montano@ars.aon.com [mailto:Jim\_Montano@ars.aon.com]  
Sent: 17 May 2004 17:17  
To: Williams, Colin  
Cc: Williams, Colin; Mike\_Roberts@JLTGROUP.com; Marjorie\_Goodall@ars.aon.com  
Subject: RE: Horizon Offshore Contractors/GULF HORIZON - alleged damage to power cables in New York - 27 Feb 03 Our Ref : OR03/304718/FO

Colin,

We have conferred with the Assured regarding coverage, claims and counter-claims arising from the subject casualty and respond to your queries as follows:  
) With respect to coverage under the Assured's H&M policy on the GULF HORIZON, such cover does, indeed, apply to collision and/or contact with fixed and floating objects.  
) Horizon's CGL insurers are aware of all claims and counterclaims so far asserted.  
) No additional information regarding claims for damage and/or fines and penalties regarding archeological sites has been forthcoming. Regards, Jim

"Williams, Colin"

<colin.williams@  
"Jim\_Montano@ars.aon.com"  
ims1.com>  
Mike\_Roberts@JLTGROUP.com,

To:  
<Jim\_Montano@ars.aon.com>,

2004-06-10\_hull\_uw's\_response

"Williams, Colin"

<colin.williams@sims1.com>

05/14/2004 10:54

cc:

AM

Subject: RE: Horizon

Offshore Contractors/GULF HORIZON -

alleged damage to power

cables in New York - 27 Feb

03 Our Ref : OR03/304718/FO

Jim,

Many thanks for your recent e-mail, the contents of which are duly noted.

The second third and fourth set of attachments are all related to the initial incident and would seem to contain nothing new.

With regard to the first attachment, i.e. the answers and counterclaims by Iroquois, this deals with 4 different issues, iro which we would make the following comments:

1).

Firstly, it includes claims for the damages directly flowing from the contacts with the power cables on 27th February 2003. The only outstanding point iro this aspect of the matter (apart from a lawyer's report on the merits of the case generally) is the question of why this is not covered under Member's hull policy (see the 4th paragraph of our e-mail message of 16th April). We await your further news in this regard.

2).

This relates to Iroquois' claim against Horizon for delay generally and for the cost of a DP vessel to complete the project. As advised in our e-mail message of 16th April, this aspect does not fall within Aegis' P&I cover and we would appreciate your confirmation that it is being dealt with by whichever insurers cover Horizon's CGL liabilities.

3).

This relates to a potential indemnity claim by Iroquois in the event claims are raised against them for damage to archaeological sites by the "Gulf Horizon" during the project (this was first raised with you by us on 13th November 2003). We have no further details of this aspect and no actual claims appear to have been raised in connection with this aspect to date. However, please ascertain from Horizon whether they know anything further about it.

4).

This relates to Iroquois' claim against Horizon for lack of performance/poor work product. Again, as advised in our e-mail message of 16th April, this aspect does not fall within Aegis' P&I cover and we would appreciate your confirmation that it is being dealt with by whichever insurers cover Horizon's CGL liabilities.

Regards.

Colin Williams

DDI : 0207 650 6497

Fax : 0207 377 2912

2004-06-10\_hull\_uw's\_response

-----Original Message-----

From: Jim\_Montano@ars.aon.com [mailto:Jim\_Montano@ars.aon.com]  
Sent: 13 May 2004 14:20  
To: Molkentin, John; Liz.monroe@xlinsurance.com; Mike Ticheli;  
Anthony.Schiavone@libertyiu.com; Mike\_Roberts@JLTGROUP.com; Williams, Colin; Ron  
White  
Subject: Horizon Offshore Contractors/GULF HORIZON/Alleged damage to Power Cable/27  
Feb 03 [Virus Checked]

Pls see msg and attachments below and advise if any questions, comments, advice or  
instructions regarding this matter. Regards, Jim Montano Aon Natural Resources  
(832-476-6884)

----- Forwarded by Jim Montano/TX/ARS/US/AON on 05/13/2004 08:14 AM -----

"Charlie Cerise"

<jim_montano@ars.aon.com>	<Charles.Cerise@arlaw.com>	To:
<BGibbens@horizonoffshore.com>		CC:
[Virus checked]		Subject: GULF HORIZON 02/27/03
	05/13/2004 08:10	
	AM	

Good morning Jim,

Bill Gibbens asked me to forward to you copies of the claims filed in the  
exoneration/limitation proceeding involving the GULF HORIZON. You will find those  
copies, as well as the counterclaim against Thales, attached. Please let me know if  
there is anything else you need.

Best regards,

<<Iroquois ans and claim.pdf>> <<NYPA ans and claim.pdf>> <<Thales ans claim and  
counterclaim.pdf>> <<Counterclaim vs. Thales.pdf>> Charlie Cerise Adams and Reese,  
LLP 4500 One Shell Square New Orleans, LA 70139 504-585-0418 504-584-9504 (fax)  
(See attached file: Iroquois ans and claim.pdf)(See attached file: NYPA ans and  
claim.pdf)(See attached file: Thales ans claim and counterclaim.pdf) (See attached  
file: Counterclaim vs.  
Thales.pdf)

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A 0085

2004-06-10\_hull\_uw's\_response

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Agent Profile					
<b>JAMES ISIDRO MONTANO</b>		Address: 1330 POST OAK BLVD STE 900 HOUSTON, TX 77056		Appointments	
License ID	License Type	Qualification	Issue Date	Exp Date	Status
1122854	Surplus Lines Agent		09/01/2001	09/01/2007	Active
278111	Adjuster	Adjuster - Property and Casualty	09/20/1978	08/20/2006	Active
838635	General Lines Agent	Property and Casualty	07/09/1982	08/20/2006	Active

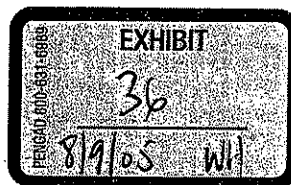
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①





Agency Profile					
<b>AON RISK SERVICES OF TEXAS INC</b>		Address:	1330 POST OAK BLVD STE 900 HOUSTON, TX 77056	<div>Appointments</div> <div>Officers/Directors</div>	
License	License Type	Qualification	Issue Date	Exp Date	Status
9266	General Lines Agency	Property and Casualty	04/17/1970	04/17/2006	Active
9267	Surplus Lines Agency		01/01/1975	04/17/2006	Active
9268	Reinsurance Broker		11/06/1998	04/17/2006	Active

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(2)



Appointments	
JAMES ISIDRO MONTANO	
Company	Active
CITADEL INSURANCE COMPANY	07/09/1982

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3



*Aon Risk Services*

*Natural Resources  
Group*

May 17, 2002

Mr. William L. Arnold, II  
Horizon Offshore Contractors, Inc.  
2500 City West Blvd., Suite 2200  
Houston, Texas 77042

Re: Certificate of Insurance  
Iroquois Gas Transmission System, L.P.

Dear Bill:

Further to our fax of today and as requested, enclosed please find three original certificates of insurance issued in favor of Iroquois Gas Transmission System, L.P.

We trust you will find the enclosed in good order. If you have any questions or concerns regarding this matter, please do not hesitate to contact our office.

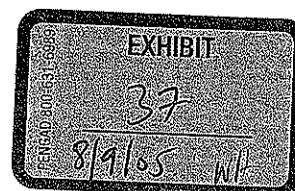
Very truly yours,

Bernice A. Chaloupka  
Senior Client Specialist

/bac

Enclosure

cc: Peter Mortlock, ARS  
Marjorie Goodall, ARS  
Jeff Kaufmann, Brockbank Internatl  
John Kirchhofer, Liberty Marine  
Ann Chapman, AIMA  
Walt Caskey, Navigators





Aon Risk Services

Natural Resources  
Group

## CERTIFICATE OF INSURANCE

DATE: May 17, 2002

CERTIFICATE ISSUED TO: Iroquois Gas Transmission System, L.P.  
Suite 600  
One Corporate Drive  
Shelton, CT 06484  
Attn: Robert Yetton

This is to certify that the policies of insurance listed below have been effected for the insured named below for the policy period indicated. Notwithstanding any requirement, term or condition of any contract or other document with respect to which this certificate may be issued or may pertain, the insurance afforded by the policies described herein is subject to all the terms, exclusions and conditions of such policies. Limits shown may have been reduced by paid claims.

NAME OF ASSURED: Horizon Offshore Contractors Inc. and/or  
associated and/or affiliated and/or subsidiary companies

REFERENCE: N/A

TYPE OF INSURANCE	POLICY NO.	POLICY PERIOD	AGREED VALUE OR LIMITS OF LIABILITY
✓ A) Protection & Indemnity including Pollution as per Rules and Statutes for P&I of The Steamship Mutual Underwriting Association (Bermuda) Limited as modified by ORIGIN/AEGIS including other Marine Liabilities (including Maritime Employers Liability).	ARS-3175	20 FEB 2002 1 MAY 2003	US\$950,000 any one accident or occurrence excess of US\$50,000 any one accident or occurrence; subject to a general aggregate limit of US\$15,000,000.

Insured with: Associated Electric & Gas Insurance Services Limited (AEGIS)

✓ B) Protection & Indemnity including Pollution as per Rules and Statutes for P&I of The Steamship Mutual Underwriting Association (Bermuda) Limited.	ARS-3176	20 FEB 2002 1 MAY 2003	As per the Rules and Statutes of The Steamship Mutual Underwriting Association (Bermuda) Limited excess of A) above.
---	----------	---------------------------	--

Insured with: The Steamship Mutual Underwriting Association (Bermuda) Limited

✓ C) General Liabilities	ARS-3177	09 APR 2002 01 MAY 2003	US\$1,000,000 each occurrence US\$2,000,000 general aggregate US\$2,000,000 Prod/Comp Ops aggregate limit excess of US\$50,000 each occurrence.
--------------------------	----------	----------------------------	--

Includes Comprehensive Form; Premises/Operations; Explosion, Collapse and Underground Hazard; Contractual Liability, Broad Form Property Damage; Personal Injury; Cross Liability Clause.

Insured with: American Home Assurance Company

Aon Risk Services of Texas, Inc.

2000 Bering Drive, Suite 900 • Houston, Texas 77057-3790 • tel: (713) 430-6000 • fax: (713) 430-6590

IRO/AE 00295

*Aon Risk Services*

Certificate of Insurance  
May 17, 2002  
Page 2

*Natural Resources  
Group*

	TYPE OF INSURANCE	POLICY NO.	POLICY PERIOD	AGREED VALUE OR LIMITS OF LIABILITY
✓ D)	U.S. Worker's Compensation/ Employers' Liability	WC 9303611-00	09 APR 2002 01 MAY 2003	Workers' Compensation – Statutory Employers' Liability – US\$1,000,000 each accident US\$1,000,000 each employee US\$1,000,000 policy aggregate
	Includes USL&H.			
	Insured with: Zurich American Insurance Company			
✓ E)	Automobile Liability (US/Canada)	TAP 9303610-00	09 APR 2002 01 MAY 2003	US\$1,000,000 Bodily Injury and Property Damage Combined Single Limit
	Includes all Owned/Non-Owned/Hired automobiles.			
	Insured with: Zurich American Insurance Company			
✓ F)	Automobile Physical Damage	TAP 9303610-00	09 APR 2002 01 MAY 2003	\$500 Deductible Comprehensive \$500 Deductible Collision any one accident or occurrence.
	Includes all Owned/Non-Owned/Hired automobiles.			
	Insured with: Zurich American Insurance Company			
✓ G)	Excess Liabilities (including Excess Protection & Indemnity - Difference in Conditions with B) above	ARS-3177	09 APR 2002 1 MAY 2003	US\$10,000,000 any one accident or occurrence excess of scheduled underlying.
	Insured with: American Home Assurance Company			
✓ H)	Excess Liabilities	ARS-3215	09 APR 2002 01 MAY 2003	US\$90,000,000 each occurrence excess of scheduled underlyings.
	Insured with:			
	20.00%	XL Specialty Insurance Company		
	25.00%	Liberty Insurance Underwriters		
	26.43%	American Home Assurance Company		
	28.57%	Navigators Insurance Company		
✓ I)	Contractors Equipment	ARS-3246	01 MAY 2002 01 MAY 2003	US\$2,000,000 any one item in respect of Equipment and Property rented, purchased, leased, hired or operated by the Assured.
	Insured with: Underwriters at Lloyd's and certain insurance companies			

IRO/AE 00296

Aon Risk Services

Natural Resources  
GroupCertificate of Insurance  
May 17, 2002  
Page 3

TYPE OF INSURANCE	POLICY NO.	POLICY PERIOD	AGREED VALUE OR LIMITS OF LIABILITY
J) Hull & Machinery	ARS-3246	01 MAY 2002 01 MAY 2003	US\$ Per Schedule Attached
Insured with: Underwriters at Lloyd's and certain insurance companies			
K) Increased Value	ARS-3246	01 MAY 2002 01 MAY 2003	US\$ Per Schedule Attached
Insured with: Underwriters at Lloyd's and certain insurance companies			
L) War Risks and War P&I Risks	ARS-3246	01 MAY 2002 01 MAY 2003	US\$ Per Schedule Attached
Insured with: Underwriters at Lloyd's and certain insurance companies			

Subject always to policy terms, conditions and exclusions, Certificate Holder and its parental, partner, divisional, affiliate, or subsidiary companies and all employees thereof are named as Additional Assured but only insofar as required by signed written contract and only insofar as liability is assumed by the Assured under signed written contract.

Subject always to policy terms, conditions and exclusions, Waiver of Subrogation is granted in favor of Certificate Holder or its parental, partner, divisional, affiliate, or subsidiary companies and all employees thereof but only insofar as required by signed written contract and only insofar as liability is assumed by the Assured under signed written contract.

Subject always to policy terms, conditions and exclusions, Certificate Holder is named as Loss Payee but only insofar as required by signed written contract and only insofar as liability is assumed by the Assured under signed written contract.

Should any of the above described policies be canceled before the expiration date thereof, this agency on behalf of the issuing company(ies) will endeavor to mail 30\* days' written notice to the above named certificate holder, but failure to mail such notice shall impose no obligation or liability of any kind upon the company(ies) or this agency.

\* 7 days' notice in respect of War Risks and 10 days notice in respect of non-payment of premium.

The policies certified hereon are primary only insofar as liability is assumed by the Assured under signed written contract and subject always to policy terms, conditions and exclusions.

**Several Liability Notice:** The subscribing insurers' obligations under contracts of insurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations.

IRO/AE 00297

Certificate of Insurance  
May 17, 2002  
Page 4

*Aon Risk Services*

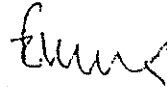
*Natural Resources  
Group*

This Certificate of Insurance is issued as a matter of information only and confers no rights upon the Certificate Holder. This Certificate of Insurance does not amend, extend or alter the coverage afforded by the policy(ies) shown hereon.

Aon Risk Services of Texas, Inc. are not insurers hereunder, and Aon Risk Services of Texas, Inc. are not nor shall be in any way or to any extent liable for loss or claim whatsoever in connection with the policies evidenced hereon.

AON RISK SERVICES OF TEXAS, INC.

BY: \_\_\_\_\_

A handwritten signature in dark ink, appearing to be "E. M. S.", is written over a horizontal line.

IRO/AE 00298

Certificate of Insurance  
May 17, 2002  
Page 5

*Aon Risk Services*  
*Natural Resources*  
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## VESSEL SCHEDULE

Vessel	Hull & Machinery Agreed Value	Increased Value Agreed Value	War Risk Agreed Value
1. American Horizon	\$8,000,000	\$2,000,000	\$10,000,000
2. Atlantic Horizon	\$17,000,000	\$4,125,000	\$21,125,000
3. Brazos Horizon	\$8,000,000	\$2,000,000	\$10,000,000
4. Cajun Horizon	\$5,600,000	\$1,400,000	\$7,000,000
5. Canyon Horizon	\$19,200,000	\$4,800,000	\$24,000,000
6. Gulf Horizon	\$15,200,000	\$3,800,000	\$19,000,000
7. Horizon MB100	\$2,400,000	\$600,000	\$3,000,000
8. Lone Star Horizon	\$19,200,000	\$4,800,000	\$24,000,000
9. Pacific Horizon	\$24,000,000	\$6,000,000	\$30,000,000
10. Pearl Horizon	\$6,400,000	\$1,600,000	\$8,000,000
11. Pecos Horizon	\$16,000,000	\$4,000,000	\$20,000,000
12. Phoenix Horizon	\$12,000,000	\$3,000,000	\$15,000,000
13. Sea Horizon	\$20,000,000	\$5,000,000	\$25,000,000
14. Stephaniturm*	\$0	\$0	\$0

\*on long term charter to others



08/22/2003 08:29 FAX 203 926 8829  
AUG. -21' 03 (THU) 15:18

IROQUOIS LEGAL FAX

→ HEALY SINGLETON 002

P. 002

HORIZON OFFSHORE CONTRACTORS, INC.

August 21, 2003

William B. Gibbens, III  
Executive Vice President and  
General Counsel

By Facsimile: 203-926-8829

Mr. Jeffrey A. Bruner  
Vice President  
Iroquois Gas Transmission System, L.P.  
One Corporate Drive, Suite 600  
Shelton, Connecticut 06484-6211

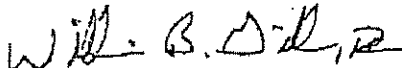
Re: Eastchester Extension Project  
Construction Contract No. 02-12  
HOR-IROQ-L-1343

Dear Mr. Bruner:

Attached is a letter from our insurance broker explaining the status of our coverage concerning the LIPA and NYPA incidents.

I trust this answers your question.

Very truly yours,



William B. Gibbens, III, Esq.  
Executive Vice President and General Counsel

2500 CityWest Blvd., Suite 2200, Houston, Texas 77042, 713-861-2601 Tel., 713-861-2693 Fax



08/21/2003 THU 17:33 [TX/RX NO 8373] 002

08/22/2003 08:29 FAX 203 926 8829  
AUG. -21' 03 (THU) 15:18

IROQUOIS LEGAL FAX

→ HEALY SINGLETON

003  
P. 003



*Aon Risk Services*

August 21, 2003

*Natural Resources  
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Mr. Jeffery A. Bruner  
Iroquois Gas Transmission System  
One Corporate Drive, Suite 500  
Shelton, CT 06484-6211

Re: Claims by Long Island Power Authority  
(November 16, 2002) and New York  
Power Authority (February 27, 2003)  
Insurance Information

Dear Mr. Bruner:

Further to our letter of July 17, 2003 it is our understanding your remaining concern is with respect to contractual indemnity coverage for Horizon Offshore Contractors. Specifically, such coverage is found in Policy No. AKS-3177 placed with American Home Assurance Company through American International Marine Agency. Such policy is a standard ISO Commercial General Liability Insurance policy modified as necessary to meet Horizon's needs. However, as regards contractual liability, no modifications were necessary. As you may know, contractual liability coverage is granted by an exception to an exclusion, thus:

"2. Exclusions.

This insurance does not apply to:

b. Contractual Liability

'Bodily injury' or 'property damage' for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply for damages:

- (1) Assured in a contract or agreement that is an 'insured contract', provided the 'bodily injury' or 'property damage' occurs subsequent to the execution of the contract or agreement; or . . ."

Under Section V - Definitions, "Insured Contract" is defined as:

"f. That part of any other contract or agreement pertaining to your business . . . under which you assume the tort liability of another party to pay for 'bodily injury' or 'property damage' to a third person or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement."

*Aon Risk Services of Texas, Inc.*

1330 Post Oak Blvd., Suite 900 • Houston, Texas 77056 • tel: (832) 476-6000 • fax: (832) 476-6390

08/22/2003 08:29 FAX 203 926 8826  
AUG. -21' 03 (THU) 15:18

IROQUOIS LEGAL FAX

- HEALY SINGLETON

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P. 004



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Natural Resources  
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In addition to the foregoing, the so-called "Watercraft Exclusion" (exclusion g.) has been deleted per endorsement entitled *Amendatory Endorsement to Form CG 00 01 10 93, Marine Liability Insurance, etc.*

You should also be aware that Horizon's entry in the The Steamship Mutual Underwriting Association does not apply in this instance because of the Mutual's Rule 17 b, Specialist Operations, which reads (in pertinent part), "... the Club shall not insure any Member to any extent whatsoever, against the following risks: ... liabilities, costs or expenses incurred by a Member who contracts to perform specialist operations including but not limited to dredging ... cable or pipelaying, ...". Thus, because Horizon *does* engage in pipelaying operations as a fundamental part of their operations, it was necessary to have those operations covered elsewhere. Such coverage is provided in the Commercial General Liability policy as fully explained above on an excess basis. With regard to Specialist Operations at the primary level, the P&I policy provided by Aegis using the Steamship's Rules covers that exposure as well as contractual liability since it was modified to delete Rule 25xx.

When Aon became Horizon's insurance broker in December 2001, we undertook an analysis of Horizon's coverages. At renewal on February 20, 2002 Horizon's insurance was placed to ensure no gaps, especially with regard to specialist operations and contractual liability because we recognized the core of Horizon's business was pipelaying as a contractor. Thus, per the previous paragraph, primary P&I was placed with Aegis under the Steamship rules to include contractual liability. Full P&I (without specialist operations or contractual liability) was covered with an entry in the Steamship Mutual. The American Home Commercial General Liability policy through AIMA was placed to cover certain risks as primary insurance and, again, as noted above, contractual and specialist operations as excess.

Thus, we would concur with Horizon as stated in their letter to you of July 23 that there should be no issue of coverage for Horizon's direct liability, if any, or for Horizon's contractual indemnity liability to Iroquois, if any, with regard to either the LIPA or NYPA claims. There may be a question of which policy or policies apply and how they apply. However, we believe there is adequate insurance for both claims.

Very truly yours,

Aon Natural Resources

James I. Montano

Aon Risk Services of Texas, Inc.

1330 Post Oak Blvd., Suite 900 • Houston, Texas 77056 • tel: (832) 476-6000 • fax: (832) 476-6590

07/17/2003 16:09 FAX 203 926 8829  
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IROQUOIS LEGAL FAX

→ HEALY SINGLETON

004

P. 003

*Aon Risk Services**Natural Resources  
Group*

July 17, 2003

Mr. Jeffery A. Bruner  
Iroquois Gas Transmission System  
One Corporate Drive, Suite 500  
Shelton, CT 06484-6211

Re.: Claims by Long Island Power Authority  
(November 16, 2002) and New York Power  
Authority (February 27, 2003)  
Insurance Information

Dear Mr. Bruner:

We refer to your letter of June 9, 2003 to Horizon Offshore Contractors and enclose the following:

- 1) Aon Risk Services, fax message of November 27, 2002 to American International Marine Adjusters.
- 2) Aon Risk Services, "Accord" General Liability Notice of Occurrence/Claim" of November 27, 2002 to American Home Assurance Co.
- 3) Aon Natural Resources, "Report of Loss", dated 5 December 2002 to Aegis.
- 4) Aon Risk Services, fax message of January 17, 2003 (without enclosures) to A. I. Marine Adjusters and JLT Risk Solutions, with copy addressees as noted therein.
- 5) Aon Risk Services, fax message of December 12, 2002 to A. I. Marine Adjusters, Navigators Insurance Company, Liberty Insurance Underwriters and XL Specialty.
- 6) Aon Natural Resources, "Report of Loss" dated March 4, 2003 to Aegis.
- 7) Aon Natural Resources, "Report of Loss" dated April 18, 2003 to The Steamship Mutual Underwriting Association (Bermuda) Ltd.
- 8) Aon Natural Resources, "Report of Loss" dated May 21, 2003 to American Home Assurance Company.
- 9) Aon Natural Resources, "Report of Loss" dated July 16, 2003 to Various excess liability underwriters.

*Aon Risk Services of Texas, Inc.*

1330 Post Oak Blvd., Suite 900 • Houston, Texas 77056 • tel: (832) 476-6000 • fax: (832) 476-6590

07/17/2003 16:09 FAX 203 926 8829  
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IROQUOIS LEGAL FAX

→ HEALY SINGLETON

005  
P. 004*Aon Risk Services**Natural Resources  
Group*

We believe the enclosures clearly evidence notice to all appropriate insurers with respect to the subject casualties. Moreover, the "Reports of Loss" enclosed herein indicate the limits of liability of each policy noticed as well as other relevant information.

Regarding the issue of "specialist operations", please note that the exclusion regarding such in the Steamship rules was deleted from the AEGIS policy (ARS-3175) as evidenced in the attached portions of such policy. What may have led to some confusion on this issue is that AEGIS uses the Steamship Mutual rules and modifies same to meet the needs of its insureds, including Horizon. In this case Horizon required that the exclusion be removed and AEGIS complied.

As to excess liability coverage, the two incidents are distinct in their facts and, as you will note, in an abundance of caution, all appropriate excess liability underwriters have been advised of the occurrences. How the policies apply to each incident will be determined by what the investigations relative to each clearly establish. To assist you in your understanding of the structure of Horizon's insurance program, attached is a bar chart which graphically depicts the casualty portion of such program. Please note that certain coverages depicted on such chart are not relevant to the claims at hand and all information shown is proprietary and confidential to Horizon.

With respect to your inquiries regarding the M/V MR SONNY, please note inasmuch as Horizon was not the owner of such vessel, Horizon did not undertake to insure it. However, we believe Horizon, as charterer, is protected for any liability as charterer by its primary general liability policy provided by American Home per "Amendatory Endorsement to Form CG 00 01 10 93 Marine Liability Insurance, Etc.", a copy of which is also attached hereto for your review.

Regarding the issue of contractual indemnities, the AEGIS policy (ARS-3175) refers to the Steamship rules and with respect to Rule 25, provides "... Including coverage for liabilities as provided under Rule 25 xx (Contract and Indemnities) and its subparagraphs and it is agreed to waive the requirement for approval of the terms of any such contracts." (emphasis supplied.) The Steamship Mutual policy on an excess basis does not evidence the waiver noted. However, these underwriters are aware of the contractual necessity of "naming and waiving" Horizon's principles as a general matter and with respect to the project at issue in particular.

*Aon Risk Services of Texas, Inc.*

1330 East Oak Blvd., Suite 900 • Houston, Texas 77056 • tel: (832) 476-6000 • fax: (832) 476-6590

07/17/2003 16:09 FAX 203 926 8829

IROQUOIS LEGAL FAX

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P. 005

*Aon Risk Services**Natural Resources  
Group*

We understand that Iroquois has been provided policies and certificates of insurance evidencing all required and necessary coverages although same might not have reached your desk. You may wish to review the documents provided with your insurance department and outside insurance brokers to confirm the contents herein. In addition, if you still have questions or remain uncertain of certain issues, we are available to meet and discuss.

Very truly yours,

Aon Natural Resources

A handwritten signature in black ink, appearing to read "J. I. Montano", written over a horizontal line.

James I. Montano

*Aon Risk Services of Texas, Inc.*

1350 Post Oak Blvd., Suite 900 • Houston, Texas 77056 • tel: (832) 476-6000 • fax: (832) 476-6590

AON

**\*\* Transmit Conf. Report \*\***

P.1

Nov 27 2002 14:43

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*Aon Risk Services  
Natural Resources Group*

1330 Post Oak Blvd, Suite 900  
Houston, TX 77056-3089  
832-476-6810 Fax 832-476-6510  
Karen\_Cooper@ars.aon.com

Telecopier No.: 713-268-8680  
Date: November 27, 2002  
Company: American International Marine Adjusters  
Attention: John Molkenfin  
Cc: Bill Arnold, Horizon Offshore (w/att.) 713-361-2693  
Peter Mortlock, Aon (w/att.)  
Margie Goodall, Aon (w/att.)  
Jim Montano, Aon (w/att.)  
From: Karen Cooper  
No. of Pages Sent: 2 (including this page)  
Subject: Insured: Horizon Offshore Contractors  
D/L: November 18, 2002  
Policy No: C1727  
Claimant: Long Island Power Authority  
Our Ref: 02-M4842

Please accept this as notice of an incident that may give rise to a claim under the captioned policy. On November 18, 2002 at approximately 5:30 P.M. EST, an anchor of the CalDive DSV "Mr. Sonny" became entangled in four (4) cables of the Long Island Power Authority. No injuries were reported. The extent of financial damage has not yet been determined.

Please contact Mr. Bill Arnold, Director of Risk Management, Horizon Offshore, 713-243-2740, for additional information.

Please acknowledge receipt and advise your claim number.

Regards,



<b>ACORD GENERAL LIABILITY NOTICE OF OCCURRENCE/CLAIM</b>								DATE <b>11-27-02</b>	
PRODUCER PHONE (A/C, No, Ext) <b>832-476-6810</b>		NOTICE OF OCCURRENCE NOTICE OF CLAIM		DATE OF OCCURRENCE AND TIME <b>11/16/02 5:30</b>		AM <input checked="" type="checkbox"/> PM <input checked="" type="checkbox"/>		DATE OF CLAIM	
AON RISK SERVICES NATURAL RESOURCES GROUP 1330 POST BLVD SUITE 900 HOUSTON TX 77056		EFFECTIVE DATE <b>02/20/02</b>		EXPIRATION DATE <b>05/01/03</b>		POLICY TYPE <input type="checkbox"/> OCCURRENCE <input type="checkbox"/> CLAIMS MADE		RETROACTIVE DATE	
		COMPANY <b>AMERICAN HOME ASSURANCE CO.</b>		NAIC CODE		MISCELLANEOUS (Info (SIR & lossen code))			
CODE: <b>SUB CODE:</b>		POLICY NUMBER <b>C1727 (ARS-3177)</b>		REFERENCE NUMBER <b>Aon Claim No: 02-M4842</b>					
AGENCY CUSTOMER ID:		CONTACT		CONTACT INSURED					
INSURED NAME AND ADDRESS <b>HORIZON OFFSHORE CONTRACTORS 2500 CITYWEST BLVD, SUITE 2200 HOUSTON TX 77042</b>		CONTACT NAME AND ADDRESS <b>BILL ARNOLD</b>		CONTACT INSURED		WHERE TO CONTACT			
RESIDENCE PHONE (A/C, No)		BUSINESS PHONE (A/C, No, Ext)		RESIDENCE PHONE (A/C, No)		BUSINESS PHONE (A/C, No, Ext) <b>713-243-2740</b>		WHEN TO CONTACT	
<b>OCCURRENCE</b>								AUTHORITY CONTACTED	
LOCATION OF OCCURRENCE (Include city & state)		<b>IROQUOIS PROJECT.</b>							
DESCRIPTION OF OCCURRENCE (Use separate sheet, if necessary)		<b>ON NOVEMBER 16, 2002 AT APPROXIMATELY 5:30 P.M., EST, AN ANCHOR OF THE CalDive DSV "MR SONNY" BECME ENTANGLED IN 4 SUBSEA POWER CALBES OF LONG ISLAND POWER AUTHORITY</b>							
<b>POLICY INFORMATION</b>									
COVERAGE PART OR FORMS (Insert form #s and edition dates)									
GENERAL AGGREGATE <b>2,000,000</b>		PROD/COMP OF AGG <b>2,000,000</b>		PERS & ADV INJ <b>1,000,000</b>		EACH OCCURRENCE <b>1,000,000</b>		FIRE DAMAGE <b>Incl.</b>	
								MEDICAL EXPENSE <b>Incl.</b>	
UMBRELLA/EXCESS		UMBRELLA		EXCESS		CARRIER: <b>American Home (Part B)</b>		LIMITS: <b>\$10,000,000 AGGR</b>	
								PER CLAIM/ACC	
								SIR/DET	
<b>TYPE OF LIABILITY</b>									
PREMISES INSURED IS		OWNER		TENANT		OTHER		TYPE OF PREMISES	
OWNER'S NAME & ADDRESS (If not insured)								OWNERS PHONE (A/C, No, Ext)	
PRODUCTS INSURED IS		MANUFACTURER		VENDOR		OTHER		TYPE OF PRODUCT	
MANUFACTURER'S NAME & ADDRESS (If not insured)								MANUFACT PHONE (A/C, No, Ext)	
WHERE CAN PRODUCT BE SEEN?									
OTHER LIABILITY INCLUDING COMPLETED OPERATIONS (Explain)									
<b>INJURED/PROPERTY DAMAGED</b>									
NAME & ADDRESS (Injured/Owner)		<b>LONG ISLAND POWER AUTHORITY (LIPA)</b>						PHONE (A/C, No, Ext)	
AGE		SEX		OCCUPATION		EMPLOYER'S NAME & ADDRESS		PHONE (A/C, No, Ext)	
DESCRIBE INJURY				WHERE TAKEN		WHAT WAS INJURED DOING?			
<input type="checkbox"/> FATALITY									
DESCRIBE PROPERTY (Type, model, etc)		<b>4 Subsea Power Cables</b>		ESTIMATE AMOUNT <b>Unknown</b>		WHERE CAN PROPERTY BE SEEN?		WHEN CAN PROPERTY BE SEEN?	
<b>WITNESSES</b>									
NAME & ADDRESS				BUSINESS PHONE (A/C, No, Ext)		RESIDENCE PHONE (A/C, No)			
REMARKS									
REPORTED BY <b>BILL ARNOLD, INSD.</b>		REPORTED TO		SIGNATURE OF INSURED		SIGNATURE OF PRODUCER <i>Karen A. Cooper</i>			



CC: Peter Mortlock, Mergie Goodall - Aon



**Aon Natural Resources**  
1330 Post Oak Boulevard, Suite 900  
Houston, Texas 77056  
Telephone: (832) 476-6000; Telefax: (832) 476-6590

REPORT OF LOSS ON: ENERGY PACKAGE DATE: 5 December 2002

To: COMPANY POLICY NO. INTEREST  
Associated Electric & Gas Insurance Services LE0280741 (ARS-3175) 100%  
Ltd. (AEGIS), Hamilton Bermuda Per Origin  
Limited, London, UK (via JLT Risk Solutions)

Please accept notice of the following casualty which may result in a claim for: Property Damage

Name of the Assured: Horizon Offshore Contractors, Inc.

Policy Inception: 20 Feb 02 Date of Casualty: 16 Nov 02 Policy Expiration: 01 May 03 Form: \_\_\_\_\_

Insured Vessel or Property: \_\_\_\_\_ Insured Value/Limit of Liability \$ US\$950,000 any accident/occurrence

Excess of: \$ US\$50,000 Deductible: \$ \_\_\_\_\_ AAD: \$ \_\_\_\_\_ Stop Loss: \$ \_\_\_\_\_

Place where casualty occurred: Iriquois Project

Nature of Casualty On 16 November 2002 at approximately 5:30 PM Eastern Standard Time an anchor of the Cal Dive DSV

"MR SONNY" became entangled in four (4) subsea power cables of Long Island Power Authority (LIPA)

Estimated amount of entire loss Primary \$ Unknown Excess \$ \_\_\_\_\_

Instructed: \_\_\_\_\_

Remarks: Also reported to AI Marine Adjusters, Houston on behalf of Excess (American Home)

Claim #: 02-M4842 Producer: Peter Mortlock Claims Made: No

Client's Claim #: \_\_\_\_\_

by: Karen Cooper

If you have any instructions to give, please advise us promptly.

PLEASE ACKNOWLEDGE RECEIPT BY SIGNING AND RETURNING A COPY OF THIS NOTICE

Signature: \_\_\_\_\_

Claim Number: \_\_\_\_\_

\\HSTNWFS2\SYSA\apps\USERS\JC\Claims Shared\Horizon\Karen-Rensel\02-M4842\Marine Loss Notice.doc-1  
The information contained in this fax is confidential and/or privileged. This fax is intended to be reviewed initially by only the individual named above. If the reader of this transmittal page is not the intended recipient of a representative of the intended recipient, you are hereby notified that any review, dissemination copying of this fax or the information contained herein is prohibited. If you have received this fax in error, please immediately notify the sender by telephone and return this fax to the sender at the address above.



*Aon Risk Services  
Natural Resources Group*

1330 Post Oak Boulevard, Suite 900  
Houston, Texas 77056  
Telephone: (832) 476-6840; Telefax: (832) 476-6510  
Rense\_Glidewell@ars.aon.com

Date: January 17, 2003

Fax Number: 713-268-8680  
011-44-207-247-4488

Attention: Jack Molkentin (ref: 36451)  
Mike Roberts (ref: LG0260741/001)

Company: A. I. Marine Adjusters  
JLT Risk Solutions Limited

From: Renee Glidewell  
Sr. Consultant

Copies: Julie Bowen, Navigators (ref: LIA115037) 713-960-0870  
Liberty Insurance Underwriters (ref: unknown) 212-208-4112  
Liz Monroe, XL Marine & Offshore (ref: EX002266) 212-894-9242  
William Gibbens, Horizon Offshore (cover only) 713-361-2693  
Jim Montano, Aon (cover only)  
*R. Glidewell*

No. of Pages Sent: 16 (Including this page)

Subject: Insured: Horizon Offshore Contractors, Inc.  
Claimant: Long Island Power Authority (LIPA)  
DOL: November 16, 2002  
Our Ref: 02-M4642

Attached for your file and review are various documents as received from the Insured. Included is a copy of the demand for defense and indemnity from Iroquois Gas Transmission System, LP along with the Insured's declination to them. For your reference, a copy of the Insurance exhibit from the Iroquois contract is also attached. We also provide a copy of the Insured's tender letter to Thales Geosolutions, Inc. requesting their soonest response with regard to defense and indemnity of Horizon.

Also included is correspondence from the claimant's attorney demanding securities for their claims be posted in the amount of \$33.75 million by January 21, 2003. After your review, please response accordingly.

Should you have any questions or not receive all of the documents noted, please contact our office.

Regards,

*Renee Glidewell*

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*Aon Risk Services  
Natural Resources Group*

1330 Post Oak Boulevard, Suite 900  
Houston, Texas 77066  
Telephone: (832) 476-6840; Telefax: (832) 476-6510  
Renee\_Glidewell@ars.aon.com

Date: December 12, 2002

Attention: Excess Claims

Company: A. I. Marine Adjusters 713-268-8680 (ref: C1769)  
Navigators Insurance Co. 713-960-0870 (ref: 02L1799-01)  
Liberty Insurance Underwriters 212-208-4112 (ref: NY039204002)  
XL Specialty 212-894-9242 (ref: PMEX847027)

From: Renee Glidewell (for Karen Cooper)  
Sr. Consultant

Copies: Peter Mortlock, Aon (cover only)  
Margie Goodall, Aon (cover only)

No. of Pages Sent: 2 (Including this page)

Subject: Assured: Horizon Offshore Contractors  
Policy: ARS-3215  
Effective: 04/08/02 - 05/01/03  
Claimant: Long Island Power Authority  
DOL: November 16, 2002  
Our Ref: 02-M4842-C

Please accept this as notice of an incident that could give rise to a claim under the captioned policy. It is reported that the anchor of the CalDive DSV "Mr. Sonny" became entangled in four (4) cables of the Long Island Power Authority. No injuries were reported. The extent of financial damage has not yet been determined. We shall, of course, forward additional information as it is available.

The incident has also been reported to A. I. Marine Adjusters on behalf of American Home Assurance Company. Jack Molkentin is handling the claim in AIMA's Houston office. The incident has also been reported to JLT Risk Solutions on behalf of AEGIS. Terry Cornick is handling the claim in their London office.

Please acknowledge your receipt of this notice and advise who in your respective offices will be handling this matter, along with your claim numbers. Should you have any questions, please feel free to call or e-mail.

Regards,

Renee Glidewell

NOTE: The information contained in this fax is confidential and/or privileged. This fax is intended for the sole use of the individual named above. If the reader of this transmittal page is not the intended recipient or a representative of the intended recipient, you are hereby notified that any review, dissemination, distribution, or copying of this fax or the information contained herein is prohibited. If you have received this fax in error, please immediately notify the sender by telephone and return this fax to the sender at the address above.

VIA FAX



**Aon Natural Resources**  
1330 Post Oak Boulevard, Suite 900  
Houston, Texas 77056  
Telephone: (832) 476-6000; Telefax: (832) 476-6590

REPORT OF LOSS ON: Protection & Indemnity DATE: March 4, 2003

To: COMPANY POLICY NO. INTEREST  
Associated Electric & Gas Insurance  
Services Limited (AEGIS), Hamilton,  
Bermuda per Origin Limited, London, U.K.  
c/o JLT Risk Solutions Limited  
London, England, U.K.  
Attn: Mr. Simon Dawes  
ARS-3175  
100%

Please accept notice of the following casualty which may result in a claim for: Damage to Property

Name of the Assured: Horizon Offshore, Inc. and Horizon Offshore Contractors, et al.

Policy Inception: 2/20/02 Date of Casualty: 2/27/03 Policy Expiration: 5/1/03

Insured Vessel: GULF HORIZON Limit of Liability \$ 950,000 O. A. O.

Excess of: \$ 50,000 Deductible: \$ N/A AAD: \$ N/A Stop Loss: \$ N/A

Place where casualty occurred: Long Island Sound, NY

Nature of Casualty: Whilst performing pipelaying operations (pipe burial) the insured vessel's anchor cable parted and allegedly  
damaged a sub-sea power cable owned by the New York Power Authority.

Estimated amount of entire loss \$ (unknown) Excess \$ N/A

Instructed: \_\_\_\_\_

Remarks: Details of casualty and developments will be reported in due course.

Claim #: 03-M5058 Producer: BJ Claims Made: No

Client's Claim #: \_\_\_\_\_

by: James I. Montano

If you have any instructions to give, please advise us promptly.

PLEASE ACKNOWLEDGE RECEIPT BY SIGNING AND RETURNING A COPY OF THIS NOTICE

Signature: \_\_\_\_\_

(\\aehou2k1\shared\BUSINESS UNITS\AON\Claims\Claims Shared\Horizon\03-M5058.doc-1)  
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VIA FAX



**Aon Natural Resources**  
1330 Post Oak Boulevard, Suite 900  
Houston, Texas 77056  
Telephone: (832) 476-6000; Telefax: (832) 476-6562

REPORT OF LOSS ON: Excess P & I DATE: April 18, 2003

To: COMPANY POLICY NO. INTEREST  
The Steamship Mutual ARS-3176 100.0%  
Underwriting Association (Bermuda) Ltd.  
c/o JLT Risk Solutions Limited  
Attn: Terry Cornick

Please accept notice of the following casualty which may result in a claim for: Damage to Property

Name of the Assured: Horizon Offshore, Inc. and Horizon Offshore Contractors, et al.

Policy Inception: 02/20/02 Date of Casualty: 2/27/03 Policy Expiration: 5/1/03

Insured Vessel: GULF HORIZON Limit of Liability \$ Per Rules

Excess of: \$ 1,000,000 Deductible: \$ 50,000 AAD: \$ 15,000,000 Stop Loss: \$ N/A

Place where casualty occurred: Long Island Sound, NY

Nature of Casualty: Whilst performing pipelaying operations (pipe burial) the insured vessel's anchor cable parted and allegedly damaged a sub-sea power cable owned by the New York Power Authority.

Estimated amount of entire loss \$ 1,000,000 Excess \$ 1,000,000

Assured have instructed Lyons, Skoufalos, Proia & Flood, LLP to represent their interests.

Remarks: Our email message of 16 April 2003 refers.

Claim #: 03-M5058-X Producer: BJ Claims Made: No

Client's Claim #: \_\_\_\_\_

by: James V. Montano

If you have any instructions to give, please advise us promptly.

PLEASE ACKNOWLEDGE RECEIPT BY SIGNING AND RETURNING A COPY OF THIS NOTICE

Signature: \_\_\_\_\_

Claim Number: \_\_\_\_\_

X:\BUSINESS UNIT\ANR\Claims\Claims Shared\Horizon\Loss Notices\Amended 03-M5058-X.doc  
The information contained in this fax is confidential and/or privileged. This fax is intended to be received initially by only the individual named above. If the reader of this transmittal page is not the interested recipient or a representative of the intended recipient, you are hereby notified that any review, dissemination copying of this fax or the information contained herein is prohibited. If you have received this fax in error, please immediately notify the sender by telephone and return this fax to the sender at the address above.



VIA FAX



**Aon Natural Resources**  
1330 Post Oak Boulevard, Suite 900  
Houston, Texas 77056  
Telephone: (832) 476-6000; Telefax: (832) 476-6582

REPORT OF LOSS ON: Excess Liabilities DATE: May 21, 2003

To: COMPANY POLICY NO. INTEREST  
American Home Assurance Company  
via American International Marine Agency ARS-3177 100.0%  
Attn: Jack Molkenlin

Please accept notice of the following casualty which may result in a claim for: Damage to Property

Name of the Assured: Horizon Offshore, Inc. and Horizon Offshore Contractors, et al.

Policy Inception: 02/20/02 Date of Casualty: 2/27/03 Policy Expiration: 5/1/03

Insured Vessel: GULF HORIZON Limit of Liability \$ 10,000,000

Excess of: \$ 1,000,000 Deductible: \$ N/A AAD: \$ N/A Stop Loss: \$ N/A

Place where casualty occurred: Long Island Sound, NY

Nature of Casualty: Whilst performing pipelaying operations (pipe burial) the insured vessel's anchor cable parted and allegedly damaged a sub-sea power cable owned by the New York Power Authority.

Estimated amount of entire loss \$ (unknown)

Assured have instructed Lyons, Skoufalos, Proios & Flood, LLP to represent their interests.

Remarks: Primary carrier AEGIS have posted policy limit reserve. Additional information to follow.

Claim #: 03-M5058-X Producer: BJ Claims Made: No

Client's Claim #: \_\_\_\_\_

by: J. I. Montano

If you have any instructions to give, please advise us promptly.

PLEASE ACKNOWLEDGE RECEIPT BY SIGNING AND RETURNING A COPY OF THIS NOTICE

Signature: \_\_\_\_\_

Claim Number: \_\_\_\_\_

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The information contained in this fax is confidential and/or privileged. This fax is intended to be reviewed initially by only the individual named above. If the reader of this transmittal page is not the intended recipient or a representative of the intended recipient, you are hereby notified that any review, dissemination, copying of this fax or the information contained herein is prohibited. If you have received this fax in error, please immediately notify the sender by telephone and return this fax to the sender at the address above.



**Aon Natural Resources**  
1330 Post Oak Boulevard, Suite 900  
Houston, Texas 77056  
Telephone: (832) 476-6000; Telefax: (832) 476-6582

REPORT OF LOSS ON: Excess Liabilities DATE: July 16, 2003

To:	COMPANY	POLICY NO.	INTEREST
	XL Specialty Insurance Company (PMEX857027)		
	via Brockbank Insurance Services, Inc.	ARS-3215	20.00%
	Liberty Insurance Underwriters (NY039204002)		25.00%
	American Home Assurance Company (C1789)		26.43%
	via American International Marine Agency, Inc.		
	Navigators Insurance Company (02L1799-01)		26.57%
	via Navigators Insurance Services of Texas, Inc.		100.00%

Please accept notice of the following casualty which may result in a claim for: Property Damage

Name of the Assured: Horizon Offshore, Inc. and Horizon Offshore Contractors, et al.

Policy Inception: 04/09/02 Date of Casualty: 2/27/03 Policy Expiration: 5/1/03

Insured Vessel: GULF HORIZON Limit of Liability \$ 140,000,000

Excess of: \$ 10,000,000 Deductible: \$ N/A AAD: \$ N/A Stop Loss: \$ N/A

Place where casualty occurred: Long Island Sound, NY

Nature of Casualty: Whilst performing pipelaying operations (pipe burial) the insured vessel's anchor cable parted and allegedly damaged a sub-sea power cable owned by the New York Power Authority.

Estimated amount of entire loss \$ (Unknown) Excess \$ \_\_\_\_\_

The Assured Instructed attorneys Lyons, Skoufalos, Proios & Flood, to investigate. Additional information to follow.

Remarks: \_\_\_\_\_

Claim #: 03-M5058-XA Producer: BJ Claims Made: No

Client's Claim #: \_\_\_\_\_

by: 

James I. Montano

If you have any instructions to give, please advise us promptly.

PLEASE ACKNOWLEDGE RECEIPT BY SIGNING AND RETURNING A COPY OF THIS NOTICE

Signature: \_\_\_\_\_

Claim Number: \_\_\_\_\_

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ARS-3175

*Aon Risk Services*

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Group*

**CONDITIONS:**

The "Class 1 Rules - Protection and Indemnity" of the Steamship Mutual Underwriting Association (Bermuda) Limited (the "Rules") in effect at the attachment date are hereby incorporated into this certificate, insofar as they may be applicable, subject to the following amendments and exceptions. All references in the Rules to "the Club" shall be read as references to "AEGIS" and/or where the context permits, its agent; all references to "the Directors" shall be read as references to AEGIS; all references to "the Member" shall be read as references to the "Assured" or "Insured"; all references to "the Managers" shall be read as references to "ORIGIN"; and references to "entry" and "entered" shall be read as references to "insurance" and "Assured"; and the Rules shall be deemed amended accordingly.

The following Rules are hereby excluded from this Certificate: Rule numbers: 1, 3 to 9, 11 to 13, 15(ii), 16(iii) to (iv); 33, 34 and 36(ii). Any written notice of termination of cover shall only be effective no less than 15 days from receipt by the Assured. Further amendments or exclusions to the Rules are as specified below.

**INSURED:**

As declared.

**LIMIT OF LIABILITY:**

As declared.

**DEDUCTIBLE:**

As declared.

**RISKS COVERED:**

- 1) Risks covered under "Class 1 Rules - Protection and Indemnity" of the Steamship Mutual Underwriting Association (Bermuda) Limited.
- 2) Including risks otherwise excluded under Rule 17b (Specialist Operations), Rule 17c (Drilling Operations), Rule 17d (Diving Operations) and Rule 17e (Salvage Operations).
- 3) Notwithstanding the inclusion of risks otherwise excluded by Rule 17d (Diving Operations), the cover afforded hereunder is limited to liabilities, costs and expenses incurred by the Insured arising out of diving operations performed by third party contractors; warranted the Insured shall obtain indemnity and defense indemnities from diving contractors for personal injuries to the diving contractor personnel.



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- 4) Notwithstanding the inclusion of risks otherwise excluded by Rule 17e (Salvage Operations), the cover afforded hereunder shall be limited to liabilities, costs and expenses associated with salvage operations incidental to activities associated with risks described under Rule 17b (Specialist Operations), Rule 17c (Drilling Operations) and Rule 17d (Diving Operations), and this insurance shall not cover liabilities, costs and expenses arising out of salvage operations as a professional salvor.
- 5) Including coverage for Contractual Liabilities in respect of seamen for death, injury or illness and it is agreed to waive the requirement for approval of any crew agreements and other contracts of service or employment and contracts for services.
- 6) Including coverage for liabilities assumed by the Insured not otherwise provided under Rule 25 xix (Towage) and its subparagraphs and it is agreed to waive the requirement for approval of the terms of any such contracts, but excluding amounts recoverable under Hull Risks insurance effected by the Insured.
- 7) Including coverage for liabilities as provided under Rule 25 xx (Contract and Indemnities) and its subparagraphs and it is agreed to waive the requirement for approval of the terms of any such contracts.
- 8) Including liabilities, costs and expenses in respect of wreck and debris removal whether liability be compulsory under law or assumed under contract, or whether voluntarily assumed where it is determined that the wreck or debris interferes with the operation of the Insured, but excluding amounts recoverable under Hull Risks insurance effected by the Insured.
- 9) Including 4/4ths Collision Liability and damage to Fixed and Floating Objects, but excluding amounts recoverable under Hull Risks insurance effected by the Insured.
- 10) Subject otherwise to the terms, conditions and risks covered, including liabilities, costs and expenses for death, injury or illness in respect of any person performing work in connection with any offshore or maritime operation of the Insured, whether such person is an employee of the Insured or is engaged by the Insured under contract of services or for services, whether or not such operations are performed from a entered ship.
- 11) Subject otherwise to the terms, conditions and risks covered, including liabilities, costs and expenses incurred by the Insured in respect of the short term charter or hire of miscellaneous barges and tugs used in support of the operations of the entered Vessels/Units; including liabilities, costs and expenses for risks otherwise excluded by Rule 17(a) Hull Risks, subject such support craft are not bareboat chartered by the Insured and excepting craft rented or hired where the Insured has assumed a "first party" risk or the obligation to provide Hull Risks insurance.

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*Aon Risk Services**Natural Resources  
Group***OTHER TERMS, CLAUSES AND CONDITIONS:****1. NON GUARANTEE CLAUSE**

- a) This insurance is evidence only of a contract of indemnity insurance between the above named Insured and AEGIS and shall not be construed as evidence of any undertaking, financial or otherwise, on the part of AEGIS to any other party.
- b) In the event that an Insured tenders this insurance as evidence of insurance under any applicable law relating to financial responsibility, or otherwise shows or offers it to any other party as evidence of insurance, such use of this insurance by the Insured is not to be taken as any indication that AEGIS thereby consents to act as guarantor or to be sued directly in any jurisdiction whatsoever. AEGIS does not so consent.

**2. ADDITIONAL INSURED CLAUSE AND OTHER PROVISIONS**

- i.) The Insured has privilege to name others as an additional insured for their respective rights and interests and/or waive any rights of recovery, but only to the extent as may be required under contract or agreement.
- ii.) In connection with any person, firm or corporation included as an additional insured, the provisions of Rule 14il and any other reference within the Rules purporting to limit coverage to any "Co-Insured" to that of the "Member" is deleted. It is further noted and agreed any person, firm, or corporation included as an additional insured has no obligation for payment of premium hereunder.
- iii.) It is agreed that in respect of additional insured(s), the coverage provided hereunder shall be primary in respect of any coverage carried by said additional insured(s) but only to the extent as may be required by contract or agreement.
- iv.) In the event of an Insured incurring liability to any other Insured, this insurance shall cover the Insured against whom claim is or may be made in the same manner as if separate policies had been issued to each Insured. Nothing contained herein shall operate to increase the limit of liability as set forth in this insurance.
- v.) Such coverage as is afforded by this insurance shall not be denied solely on the basis that the claim or suit against the Insured is based upon an "in Rem" proceeding.
- vi.) It is agreed that a claim against any person, firm or organization by an employee of the Insured on the "Borrowed Servant Doctrine" will, for the purpose of this insurance, be treated as a claim arising under this insurance, against the Insured

**Amendatory Endorsement To Form CG 00 01 10 93  
Marine Liability Insurance, Etc.**

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The following amendments to form CG 00 01 10 93 shall apply:

**SECTION I COVERAGE A 2. Exclusions are amended as follows:**

Exclusion g. is deleted and replaced with the following:

*g. "Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any "aircraft" or "auto" owned or operated by or rented or loaned to any Insured. Use includes operation and "loading" and "unloading".*

*This exclusion does not apply to:*

- i. Parking an "auto" on, or on the ways next to, premises you own or rent, provided the "auto" is not owned by or rented or loaned to you or the Insured.*
- ii. Liability assumed under "insured contract" for the ownership, maintenance or use of aircraft.*

It is a condition of this insurance that the Named Insured shall maintain Protection and Indemnity Insurance on watercraft in excess of 25' that the Named Insured operates or owns.

Exclusion j. Item (4) is deleted. Furthermore, exclusions k., l., and m. shall not apply to "property damage" which arises in connection with operations, activities or the business of the Insured in their capacity as an energy or marine construction or service contractor. However, this insurance shall not apply to liability for "property damage" arising out of the failure of "your work" or "your product" to meet any warranty or representation by any Insured as to the level of performance, quality, fitness or durability or to perform their function or serve their purpose, to the extent that such liability is for the diminished value or utility of "your work" or "your product".

**SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS is amended as follows:**

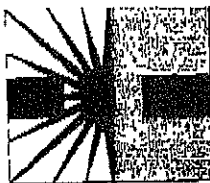
**4. Other Insurance – the following Condition is added:**

- f. Notwithstanding a. and b. above, if the loss arises out of the ownership, maintenance, use or entrustment to others of any watercraft owned or operated by or rented or loaned or chartered by or to the Named Insured, this insurance shall only respond on the basis of difference in conditions with, and not excess of, any other insurance available to the Insured.*

The following Condition is added:

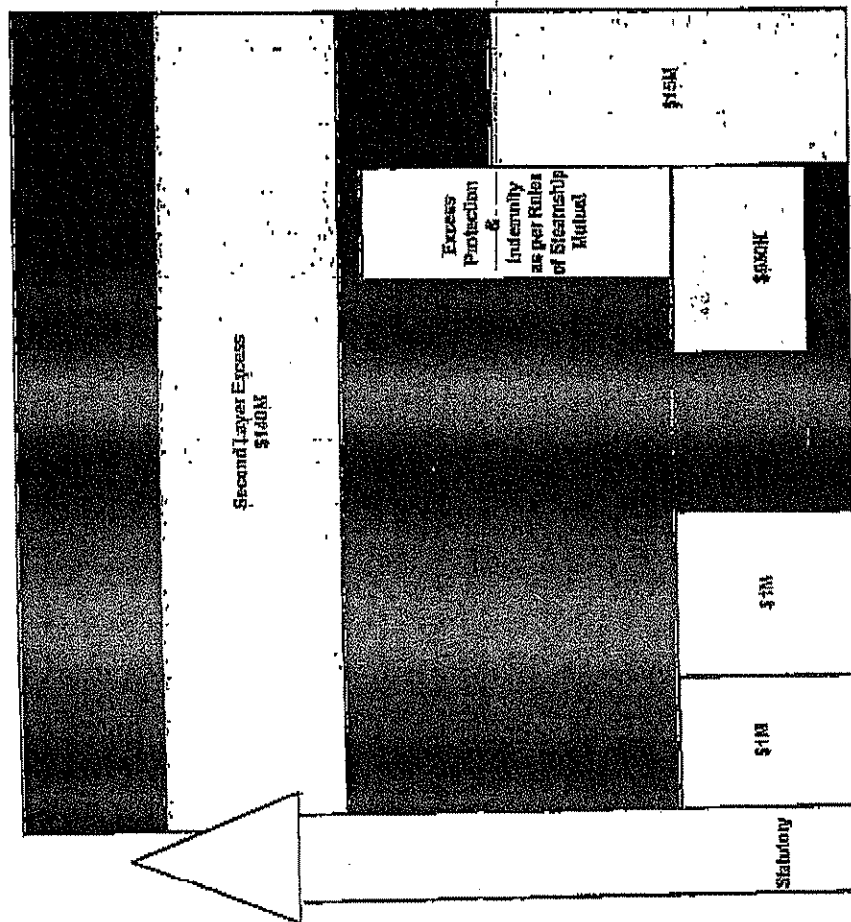
**11. In Rem**

*Such coverage as is afforded by this insurance shall not be denied solely on the basis that the claim or suit against the Insured is based upon an "in Rem" proceeding.*



**Current Insurance Program Limits Graphic at  
December 5, 2002  
(Not to Scale)**

**Horizon Offshore Contractors, Inc.**



- ☐ Zurich American Insurance Company
- ☐ AEGIS / ORIGIN
- ☐ XL Specialty Insurance Company
- ☐ XL Specialty, Liberty, American Home & Navigators
- ☒ XL Specialty, Liberty, Confidential & NY Marine & General
- ☒ American Home
- ☐ Steamship Mutual

\* Including M&B/Charter's liability and excess of amounts afforded under Marine Package for War P&U, Collision and ROW Liabilities  
\*\* DCCOIL with P&U

x:\Waters\WNR\Horizon Offshore\Programs for Inquiries at 12-5-02.ppt



**JLT RISK SOLUTIONS**  
Limited

B2M

To Jim Montano  
Company AON Natural Resources  
Fax No 0018009534542

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88 New London Road  
Chelmsford  
Essex CM2 0YJ  
Telephone 01245 705000  
Direct Line 01245-705154  
Facsimile 01245-705123

Date 20 September 2004  
From Paul Bennett  
Run-Off Management Services

No. of Pages  
inc. front sheet 1

**Facsimile**

Init
Ref

**Re: Horizon Offshore Contractors. "Gulf Horizon"**

Your Ref: 03-M5058-A

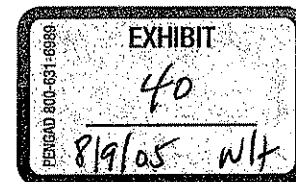
Jim,

We refer to your loss advice dated 17<sup>th</sup> May 2004, we would advise we have received a request from leading Underwriters for a update on this loss, also Underwriters request Assured advices to Adams & Reese instruction as we cannot see this firm on the approved attorney listing.

We thank you in advance for your assistance.

Regards.

Paul Bennett



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